



**DEPARTMENT OF  
VETERANS AFFAIRS**

**SECRETARY'S ANNUAL STATEMENT**

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**2002 – 2003**

**DEPARTMENT OF VETERANS AFFAIRS  
OFFICE OF THE SECRETARY  
WASHINGTON, DC 20420**

**December 2002**



## **A Message from the Secretary of Veterans Affairs**

The tragic events of September 11, 2001, were a stark reminder of the vulnerability of the democratic ideals and institutions that make America great and why our men and women in uniform have been essential in protecting and preserving those ideals and institutions. Like many of you, I frequently pause to give thanks for those in active military service.

As Secretary of Veterans Affairs (VA), I am steadfastly focused on making sure America's veterans and their families receive timely, compassionate, high-quality care and benefits. VA's strategic goals, objectives, and performance measures clearly express our commitment, which is shared by President Bush. The President has demonstrated his strong support for veterans' programs in both his FY 2002 and 2003 budget submissions to Congress. We are actively engaged with Congress to obtain the resources we need to fulfill our commitment to the Nation's veterans.

After assuming my duties as Secretary, I established a VA Claims Processing Task Force to address the growing backlog of compensation and pension claims. Following the recommendations in the Task Force report, we implemented necessary management changes, reallocated resources, and adjusted workload priorities to accomplish this daunting task. Vice Admiral Daniel Cooper USN (Ret.), who served as Task Force Chairman, is now serving as the Under Secretary for Benefits. Admiral Cooper's leadership will ensure continued improvements in this critical area.

I also sought needed improvements in the VA health care system. President Bush again responded by commissioning the President's Task Force to Improve Health Care Delivery for Our Nation's Veterans. Our Under Secretary for Health, Dr. Robert Roswell, will closely monitor the Task Force's progress in providing veterans with a broad spectrum of medical, surgical, and rehabilitative interventions. Since 1995, the number of veterans enrolled in the VA health care program has grown by over 3 million, and that number is expected to increase dramatically. Because of past and projected increases, VA is evaluating options for future enrollment decisions about how to continue providing quality health care, especially to veterans with service-connected conditions and those unable to defray the cost, within the funding levels approved by Congress. We also remain committed to providing timely access to scheduled appointments for veterans.

VA's enduring mission is to respect and dignify, in the spirit of national shrines, the selfless contributions our Nation's veterans made to defend freedom and liberty. The Under Secretary for Memorial Affairs bears one of VA's most solemn duties – honoring the service and sacrifices of America's deceased veterans in our 120 national cemeteries.

This annual statement provides the opportunity to review VA's accomplishments during the past year, assess the management challenges we face, and lay out our expected near-term results over the next 12 to 15 months. I remain proud of the exceptional dedication of VA employees everywhere. In addition to providing seamless and high-quality service to veterans, our employees have actively embraced the concept of meeting veterans' needs across the board, not just within their own area of responsibility or expertise. Feedback from veterans confirms that this is the right approach and indicates that we are succeeding in achieving an integrated focus. Our challenge is to keep getting better.

Anthony J. Principi

# Who We Serve

Our Nation's continuous concern and support for veterans can be traced as far back as 1636, when the Plymouth Colony passed a law providing lifetime support for any soldier who returned from battle with an injury. This commitment to veterans has remained a priority throughout the centuries. Today, the Department of Veterans Affairs offers the most comprehensive benefits and services to veterans, spouses, survivors, and dependents in our history.

Over 6.2 million enrolled participants look to VA for health care services and more than 4.3 million individuals received care in FY 2002. About 2.4 million veterans currently receive disability compensation or pensions from VA, and more than 2.5 million Americans, including veterans of every war and conflict -- from the Revolutionary War to the War on Terrorism -- are honored by burial in VA's national cemeteries. Of the 25.6 million living veterans, more than 75% served during a war or an official period of hostility. Altogether, about one quarter of the Nation's popu-

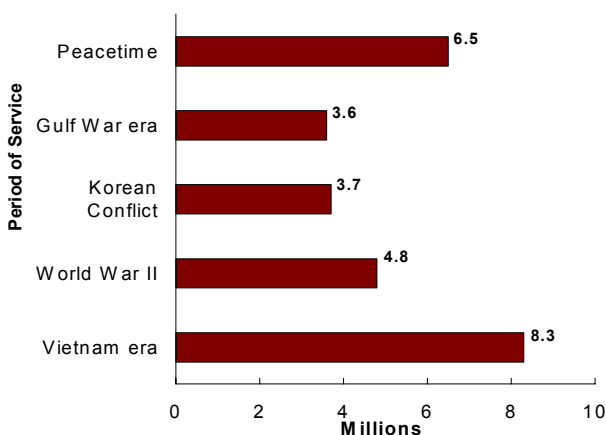
lation — approximately 70 million people are potentially eligible for VA benefits and services because they are veterans, family members, or survivors of veterans. Today, there are over 1.7 million women veterans. VA has seen a significant increase in the number of women veterans who receive benefits and health care services from the Department. The number of women veterans enrolled in VA's health care system grew from 226,000 in FY 2000 to 420,000 in FY 2002, an increase of 86%.

## Participants in Each Major Program Area

Program		FY 2002* Participants
<b>Medical Care</b>	Unique Patients	4,320,900
<b>Compensation</b>	Veterans	2,398,300
	Survivors/Children	332,600
<b>Pension</b>	Veterans	346,600
	Survivors	238,600
<b>Education</b>	Veterans / Servicepersons	325,000
	Reservists	86,000
	Survivors / Dependents	54,000
<b>Vocational Rehabilitation</b>	Veterans Receiving Services	69,600
<b>Housing</b>	Loans Guaranteed	317,300
<b>Insurance</b>	Veterans	2,099,800
	Servicepersons /	
	Reservists	2,406,500
	Spouses / Dependents	3,113,000
<b>Burial</b>	Interments	89,300
	Graves Maintained	2,509,300
	Headstones/Markers	360,300

\*Numbers of participants are rounded to the nearest 100.

## Veteran Population by Period of Service



Source: VetPop 2001



## Who We Are

*“To care for him who shall have borne the battle, and for his widow and his orphan....”*

Our Department has taken this quote from President Abraham Lincoln's Second Inaugural Address as our fundamental mission statement — the reason we exist. In today's environment, President Lincoln's statement reflects VA's inherent responsibility to serve America's veterans and their families with dignity and compassion, and to be their principal advocate for medical care, benefits, social support, and lasting memorials. VA promotes the health, welfare, and dignity of all veterans in recognition of their service to the Nation.

The statutory mandate for the Department of Veterans Affairs reflects our Nation's commitment to veterans as we are tasked as an organization “To administer the laws providing benefits and other services to veterans and their dependents and the beneficiaries of veterans.”

VA has facilities in all 50 States, the District of Columbia, and U.S. territories. Beginning with the FY 2004 budget, VA will change its budget structure to provide services and benefits through the following 9 major business lines.

- ◆ Medical Care
- ◆ Medical Research
- ◆ Compensation
- ◆ Pension
- ◆ Education
- ◆ Vocational Rehabilitation and Employment
- ◆ Housing
- ◆ Insurance
- ◆ Memorial and Burial Benefits

Although not identified specifically as business lines, VA conducts a variety of activities and programs including medical education, readjustment counseling, emergency management and preparedness, and the delivery of specialized health care. VA delivers veterans' services through 163 VA Hospitals, more than

700 community-based outpatient clinics, 206 Vet Centers, 57 regional benefit offices, and 120 national cemeteries.

To fulfill its mission, VA employs more than 220,000 dedicated and professional employees. More than 200,000 employees support VA's health care system, one of the largest in the world. About 13,000 employees are involved in providing benefits to veterans and their families, and over 1,400 provide burial and memorial benefits for veterans and their eligible spouses and children. VA is a leader in diversity — women represent 57% and minority groups 36% of our workforce. VA is also a leader in hiring veterans, which fosters our ability to understand and meet veterans' needs.



# Where We Are Going

## Our Strategic Goals and Objectives

Congressional mandates and the priorities of the Administration and the Secretary for Veterans Affairs form the basis for the Department's goals. Our goals are veteran-focused and represent the outcomes and results that VA will achieve to meet the needs of our Nation's veterans and their families, as well as our broader responsibilities to meet national needs. Both our strategic and enabling goals were developed by a team of career and political executives representing each organization within the Department and reflect the results of extensive consultation with the veterans' community as well as other partners and stakeholders. VA is currently updating its strategic plan to reflect the strategic vision of the Administration and the Secretary's priorities and to provide a five-year vision for the Department. A key aspect of the updated VA Strategic Plan is a revised set of objectives that reflect the Secretary's priorities for each of VA's major business lines. The revised objectives are presented below.



### **Goal 1 – Restore the capability of veterans with disabilities to the greatest extent possible and improve the quality of their lives and that of their families.**


#### **Objectives:**

- Maximize the physical, mental, and social functioning of veterans with disabilities and be recognized as a leader in the provision of specialized health care services.
- Provide timely and accurate decisions on disability compensation claims to improve the economic status and quality of life of service-disabled veterans.
- Provide all service-disabled veterans with the opportunity to become employable and obtain and maintain suitable employment, while providing special support to veterans with serious employment handicaps.
- Improve the standard of living and income status of eligible survivors of service-disabled veterans through compensation, education, and insurance benefits.

### **Goal 2 – Ensure a smooth transition for veterans from active military service to civilian life.**

#### **Objectives:**

- Ease the reentry of new veterans into civilian life by increasing awareness of, access to, and use of VA health care, benefits and services.
- Provide timely and accurate decisions on education claims and continue payments at appropriate levels to enhance veterans' and servicemembers' ability to achieve educational and career goals.
- Improve the ability of veterans to purchase and retain a home by meeting or exceeding lending industry standards for quality, timeliness, and foreclosure avoidance.



### **Goal 3 – Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.**

#### **Objectives:**

- Provide high-quality, reliable, accessible, timely, and efficient health care that maximizes the health and functional status for all enrolled veterans, with special focus on veterans with service-connected conditions, those unable to defray the cost, and those statutorily eligible for care.
- Process pension claims in a timely and accurate manner to provide eligible veterans and their survivors a level of income that raises their standard of living and sense of dignity.
- Maintain a high level of service to insurance policy holders and their beneficiaries to enhance the financial security for veterans' families.
- Ensure that the burial needs of veterans and eligible family members are met.
- Provide veterans and their families with timely and accurate symbolic expressions of remembrance.
- Sustain partnerships with the academic community that enhance the quality of care to veterans and provide high quality educational experiences for health care trainees.
- Enhance the socioeconomic well-being of veterans, and thereby the Nation and local communities, through veteran's benefits; assistance programs for small, disadvantaged, and veteran-owned businesses; and other community initiatives.
- Ensure that national cemeteries are maintained as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made.

### **Enabling Goal – Deliver world-class service to veterans and their families by applying sound business principles that result in effective management of people, communications, technology, and governance.**

#### **Objectives:**

- Recruit, develop, and retain a competent, committed, and diverse workforce that provides high quality service to veterans and their families.
- Improve communications with veterans, employees, and stakeholders about the Department's mission, goals, and current performance as well as benefits and services VA provides.
- Implement a *One VA* information technology framework that supports the integration of information across business lines and that provides a source of consistent, reliable, accurate, and secure information to veterans and their families, employees, and stakeholders.
- Improve the overall governance and performance of VA by applying sound business principles, ensuring accountability, and enhancing our management of resources through improved capital asset management; acquisition and competitive sourcing; and linking strategic planning, budgeting, and performance planning.

### **Goal 4 – Contribute to the public health, emergency management, socioeconomic well-being, and history of the Nation.**

#### **Objectives:**

- Improve the Nation's preparedness for response to war, terrorism, national emergencies, and natural disasters by developing plans and taking actions to ensure continued service to veterans as well as support to national, state, and local emergency management and homeland security efforts.
- Advance VA medical research and development programs that address veterans' needs, with an emphasis on service-connected injuries and illnesses, and contribute to the Nation's knowledge of disease and disability.



# Governance of Our Department

Over the past two years, significant changes have been made in the way VA is managed. To provide a more integrated governance and decision-making process, we established the Strategic Management Council (SMC), the VA Executive Board (VAEB), and six strategic management process groups that oversee the planning, operations, and performance of VA's major cross-cutting activities. Each is composed of VA's senior leaders, who lead the Department in achieving its strategic goals.

The SMC identifies and manages strategic and operational issues and provides a unified approach to problem solving. The SMC, chaired by the Deputy Secretary, makes recommendations for actions and decisions to the VAEB, which is chaired by the Secretary. The VAEB provides the Secretary with a forum for discussion with his most senior leadership before he makes ultimate decisions for the Department.

Beginning in FY 2003, a new VA Business Oversight Board (VABOB), chaired by the Secretary, will review and oversee the performance, efficiency, and effectiveness of VA's business processes, including procurement, collections, and capital portfolio management.

## Our Core Values

To achieve our mission and strategic goals, we will strive to uphold a set of core values that represent the basic fabric of our organizational culture. These core values transcend all organizational boundaries and apply to everything we do. Each employee endeavors to practice the following values when serving veterans and working with others.

### Commitment

- ❖ Veterans have earned our respect and commitment and their health care, benefits, and memorial services needs drive our actions

### Excellence

- ❖ We strive to exceed the service delivery expectations of veterans and their families.
- ❖ We perform at the highest level of competence with pride in our accomplishments.

### People

- ❖ We are committed to a highly skilled, diverse, and compassionate workforce.
- ❖ We foster a culture of respect, equal opportunity, innovation, and accountability.

### Communication

- ❖ We practice open, accurate, and timely communication with veterans, employees, and external stakeholders, and seek continuous improvement in our programs and services by carefully listening to their concerns.

### Stewardship

- ❖ We will ensure responsible stewardship of the human, financial, information, and natural resources entrusted to us.
- ❖ We will improve performance through the use of innovative technologies, evidence-based medical practices, and sound business principles.



## Recent Accomplishments and Our Near-Term Planned Results<sup>1</sup>

The following section summarizes the major accomplishments of VA over the past 12 months<sup>2</sup> and highlights the key initiatives and strategies that we will pursue over the next 12-15 months to meet the needs of veterans and their families. Many of these initiatives, such as assisting veterans who have disabilities or are homeless; providing housing, health care, vocational rehabilitation, insurance, and other benefits; maintaining our national cemeteries as national shrines; and enhancing our emergency preparedness capabilities, will also have a positive impact on the American public.

### Strategic Goal One

Restore the capability of Veterans with disabilities to the greatest extent possible and improve the quality of their lives and that of their families

VA seeks to maximize the ability of veterans with disabilities, special veteran populations, dependents, and survivors to become full and productive members of society. We support this effort through a system of health care, compensation, vocational rehabilitation, life insurance, dependency and indemnity compensation, and dependents' and survivors' educational assistance and home loan programs.



to treating our Nation's veterans. VA's objective in this area is to *Maximize the physical, mental, and social functioning of veterans with disabilities and be recognized as a leader in the provision of specialized health care services.*

□ During the past year, VA surpassed its strategic target of 95% when 98% of the spinal cord injury (SCI) patients were discharged to non-institutional settings in the community. In FY 2003, VA plans to meet or exceed this target.

### Specialized Health Care Services

One of the cornerstones of VA's mission is to provide treatment for veterans with illnesses and diseases specifically related to military service. To this end, VA has developed world-class facilities, staffed by world-class doctors, nurses, and other allied health care professionals who are devoted

□ VA surpassed its strategic target of 69% when 85% of randomly selected veterans from Special Intensive Post-Traumatic Stress Disorder (PTSD) Programs were enrolled in the Outcomes Monitoring Program.

<sup>1</sup> Accomplishments and planned initiatives for every strategic objective are not included in this document. For further details about the VA Strategic Plan, VA Annual Performance Report, or the Departmental Performance Plan, please refer to VA's web site at <http://www.va.gov/partners/stratcap/index.htm>

<sup>2</sup> Figures from FY 2002 are estimates at time of publication.



□ Over 17,000 veterans successfully completed VA's blind rehabilitation program in FY 2002. As a result of their participation, these veterans became more self-sufficient in their daily activities and achieved a higher level of independence.

□ VA provided support to more than 268,000 veterans who are severely mentally ill. Approximately 20% of those veterans were hospitalized during the past year and over 80% were discharged to a community living situation at the end of their hospitalization.

□ Two Centers of Excellence were established to develop new therapies for veterans with spinal cord injuries. The Center at the Bronx VAMC will explore the use of pharmaceuticals to treat the secondary disabilities of spinal cord injury, and the Center at the Miami VAMC will study pain management, recovery of motor and sensory function, and other related issues.

### Disability Compensation Claims

Every month, 2.4 million veterans with disabilities receive a disability compensation payment. VA's objective is to *Provide timely and accurate decisions on disability compensation claims to improve the economic status and quality of life of service-disabled veterans.*

□ In his Senate confirmation hearing, Secretary Principi set an aggressive goal of no more than 250,000 pending claims and an average of 100 days to process a claim. VA is on the way to meeting that goal, with increased rating production and quality, and a reduction in the claims backlog.



□ In May 2001, the Secretary chartered the VA Claims Processing Task Force to assess claims processing and recommend measures and actions to improve the timeliness and quality of disability compensation and pension (C&P) claims decisions. In October 2001, the Task Force published its findings and recommendations, which included 20 short-term and 14 mid-term recommendations designed to alleviate the current backlog of claims. Since the publication of the Task Force Report, VA has completed 14 of the 20 short-term recommendations. All of these recommendations serve as the focal point for process improvements.

□ In FY 2002, VA completed more than 796,000 ratings (versus 481,000 in FY 2001 - a 66% improvement). During the year, the total number of pending ratings peaked at 430,000; however by September 30, 2002, VA had reduced that number to 346,000. VA achieved this success even though it received an average of 60,000 new claims every month. Increased productivity has been accompanied by higher quality; rating quality increased from 72% in first quarter 2002 to 80% by July 2002. Further, quality is now evaluated at the regional office level as well as nationwide.

□ Claims processing times are declining. From March to September 2002, VA reduced average processing time - measured from the day a claim is received to the day a decision is made - from a peak of 234 days to 209 days. The process in reducing the average amount of time veterans have to wait for a decision is impacted by the fact that VA is emphasizing the oldest claims first.



□ In response to recommendations of the Secretary's Claims Processing Task Force, VA began a major effort to resolve the oldest compensation and pension claims. A key element of this effort involves a "Tiger Team," established at the Cleveland Regional Office, which has already resolved many of these claims. This Tiger Team began with claims of veterans who are 70 or older and those veterans whose claims have been pending for more than one year.

□ VA has implemented the Claims Processing Improvement (CPI) initiative, which encompasses three key Claims Processing Task Force recommendations. The CPI model organizes the myriad claims processing tasks into distinct functional areas and assigns responsibility for those functions to six specialized teams within the service center.

□ Since November 2001, the National Personnel Records Center initiative has reduced pending requests for veterans' records needed to decide compensation claims from 56,000 (6,000 over 1-year-old) to 27,000 (500 over 1-year-old) as of October 1, 2002.

□ VA proposed a new rule allowing the Board of Veterans' Appeals (BVA) to give priority to pending appeals for veterans 75 or older. This new rule will provide relief in the appeals process to a substantial segment of the veteran population.

□ In an effort to help VA reduce the backlog of pending disability and compensation claims, BVA provided technical assistance to VBA Regional Offices by sending staff attorneys to review aging appellate cases and prepare draft Statements of the Case. This allowed regional office management to de-

vote valuable resources to other areas of concern to alleviate the backlog. In addition, BVA established the Evidence Development Unit. This unit will reduce the number of cases remanded to regional offices for development from approximately 50% to less than 14%.

□ In FY 2003, VA plans to reduce the average number of days to process a rating-related claim to 165 days (with a stated target of 100 days for FY 2004) and increase the national accuracy rate for core rating work to 88%.

### **Vocational Rehabilitation and Employment**

Nearly 69,000 veterans with disabilities receive vocational rehabilitation training to prepare them for successful civilian lives. VA's objective for this program is to *Provide all service-disabled veterans with the opportunity to become employable and obtain and maintain suitable employment, while providing special support to veterans with serious employment handicaps.*

□ In FY 2001, the average earned income of employed veterans at rehabilitation was \$28,517 - a five fold increase above their earned income level prior to training. In FY 2002, 62% of veterans exiting the program were rehabilitated and found employment. In FY 2003, VA plans to increase its performance in this area to 65%.





## Strategic Goal Two

Ensure a Smooth Transition for  
Veterans from Active  
Military Service to Civilian Life

VA will help veterans become fully reintegrated into their communities with minimum disruption to their lives through education assistance, home loan guarantees, life insurance, transitional health care, readjustment counseling services, vocational rehabilitation, and other employment services.

### Outreach and Transition Assistance

VA conducts outreach activities to separating military members and veterans to inform them of services and benefits available to them. The objective is to *Ease the reentry of new veterans into civilian life by increasing awareness of, access to, and use of VA health care, benefits and services.*

- ❑ In FY 2002, VA provided readjustment counseling services to over 132,000 veterans.
- ❑ VA obtains monthly data on recently separated servicemembers with disability ratings of 60-100%. Through specialized mailings and personal phone calls, VA ensures that veterans are aware of their entitlement to VA insurance products specially designed for individuals with disabilities.



- ❑ VA surpassed its strategic target of 95% when 99% of veterans using Vet Centers reported being satisfied with services including readjustment counseling, and said they would recommend a Vet Center to other veterans.

### Education

VA's education programs assist veterans in readjusting to civilian life by helping them to obtain higher education. These programs enhance the Nation's competitiveness through the development of a more highly educated and productive workforce. VA's objective is to *Provide timely and accurate decisions on education claims and continue payments at appropriate levels to enhance veterans' and servicemembers' ability to achieve educational and career goals.*

- ❑ Due in part to data from a program evaluation conducted by the Department, the President signed legislation increasing the basic monthly benefit under the Montgomery GI Bill (MGIB) program for veterans with an obligated period of active duty of three years or more. Benefits were increased from \$672 to \$800 on January 1, 2002, and increased to \$900 effective October 1, 2002. The monthly benefit will increase to \$985 on October 1, 2003. Improvements have also been made to Survivors' and Dependents' Education Benefits, Internet-based education, high technology and other courses offered through the private sector.
- ❑ The program evaluation of VA's Educational Assistance Program provided data that showed participants in VA's programs have experienced increased career and education attainment, higher income, and lower unemployment compared to non-users.



□ There was a 21% increase in education claims received during FY 2002 as compared to FY 2001. At the same time, the timeliness of claims processing has steadily improved. This represents better service to veterans in the face of an increased workload.

□ The report on the annual *Survey of Veterans' Satisfaction with the VA Education Benefits Claims Process* was issued in April 2002. Approximately 85% of claimants surveyed were very satisfied or somewhat satisfied with the way VA handled their education claims. This represents an increase over the 2000 finding of 82% and continues the upward trend since 1999, when 79% of respondents were satisfied with the way their claims were handled.

□ In FY 2002, 59% of eligible veterans utilized MGIB Benefits. As a result of additional communication and outreach efforts, along with the increase in benefits, VA expects the usage rate to increase to 61% in FY 2003.

## Housing

Over the last five years, on average, VA has supported more than 319,000 veterans in the application for home loans. The main purpose of the VA home loan program is to help veterans finance the purchase of homes with favorable loan terms and at a rate of interest that is competitive with the rate charged on other types of mortgage loans. The program operates by substituting the Federal Government's guaranty for the down payment that would otherwise be required when a veteran, serviceperson, or reservist purchases a home.

□ VA plays a critical role in helping veterans maintain their homeownership in certain trying situations. Alternatives to foreclosure can help veterans either save their home or avoid dam-

age to their credit rating, while reducing government costs. The Foreclosure Avoidance Through Servicing (FATS) ratio for FY 2002 was 43%, which substantially exceeded the planned level of 39%. The FATS ratio measures the extent to which foreclosures would have increased had VA not pursued alternatives to foreclosure. In FY 2002, VA directly assisted in the prevention of foreclosure on 10,564 seriously delinquent home loans. As a result, the veterans were able to keep their homes and the Department saved an estimated \$242 to \$262 million in default loans.

□ VA began FY 2003 with 2.8 million active home loans, reflecting an amortized loan total of \$216 billion. The number of home loan originations will be approximately 248,000 in both FY 2003 and FY 2004, consistent with low interest rates and a strong single family housing market. VA will further reduce reliance on hard copy formats with a reduction in associated handling and storage costs.

□ In June 2002, VA deployed an Automated Certificate of Eligibility (ACE) application. This Internet-based application allows lenders to request a Certificate of Eligibility (COE) online. When sufficient data is available in VA systems, a COE can be issued in a matter of seconds. VA issued over 32,000 COE's between June and September 2002.

## Strategic Goal Three

Honor and Serve Veterans in Life and  
Memorialize Them in Death for Their Sacrifices  
on Behalf of the Nation

VA will work to ensure that veterans have dignity in their lives, especially in time of need, through the provision of health care, pension programs, and life insurance; and the Nation will memorialize them in death for the sacrifices they have made for their country.

### Quality Health Care

Today, over 6.2 million veterans are enrolled for VA health care. VA's objective is to *Provide high quality, reliable, accessible, timely, and efficient health care that maximizes the health and functional status for all enrolled veterans, with special focus on veterans with service-connected conditions, those unable to defray the cost, and those statutorily eligible for care.*

□ Recent findings indicate that veterans using VA health care facilities are receiving comparable and often higher quality care than individuals using private sector and other health care facilities. VA health care performance data are compared, where possible, with similar data from managed care organizations, governmental sources, and population-based surveys. VA outcomes exceed best-reported performance, and increasingly set a benchmark for 16 of the 18 indicators where comparable data are available, including immunization, diabetes care, mental illness treatment, and cancer screening.

□ VA's medical center in Grand Junction, Colorado, won the President's Quality Award Trophy – the highest award for management given to fed-

eral employees and agencies. This award, which is based on the same criteria that is used for the national *Malcolm Baldrige Award*, recognizes outstanding performance in quality management and customer satisfaction.



□ VA's Performance Analysis Center for Excellence conducts national satisfaction surveys that allow VA to better understand and meet patient expectations. The surveys have been updated this year to target the dimensions of care that concern veterans the most, as well as patient reported information on functional status and healthy behaviors.

□ VA is a leader in patient safety and quality and has adopted patient safety procedures in all its health care facilities. For example, to avoid errors in transcription, VA implemented an electronic patient record to ensure that patients are provided the right prescription, in the right dose, at the right time. In 2001, Harvard University presented VA's patient safety program with the prestigious *Innovations in American Government Award*.

□ Of the 4.2 million veterans who received treatment from the VA health care system in FY 2001, 171,161 were female veterans. This is an 11% increase over the previous year.

□ VA has developed strategies to reduce the scheduled appointment timeframes, including: installing state-of-the-art appointment scheduling systems; modifying scheduling practices; using



pre-appointment patient reminders; hiring, retraining and reassigning clinical staff to outpatient primary care; making use of additional community-based outpatient clinics (CBOCs); and renovating existing facility-based clinic space to make sure that clinicians have two examination rooms each, thus improving patient flow. VA has a strong commitment to decreasing appointment waiting times for veterans.

❑ VA will provide priority access to health care for any veteran with a service-connected disability(ies) rated 50% or greater. These veterans will be able to schedule an elective procedure in a hospital or a non-emergent appointment within 30 days of a desired date. This priority will next be applied to any veteran seeking care for a service-connected disability.

❑ In FY 2003, 89% of primary care appointments and 87% of specialty care appointments at VA facilities will be scheduled for enrolled patients within 30 days of the desired date.



## Veterans Who Are Homeless

VA is answering the President's call to end chronic homelessness by the end of the decade. Specifically, VA is addressing the causes of homelessness for veterans.

❑ VA is developing standards for clinical improvements for veterans served under the homeless grant and per diem program.

❑ Approximately 75% of veterans in a Domiciliary Care for Homeless Veterans Program or Community-based Contract Residential Care Program were discharged to an independent or a secured institutional living arrangement.

❑ During the past year, more than 20,000 homeless and at-risk veterans received medical care from VA, and more than 19,000 veterans received transitional and supported housing, directly or in partnerships with grant and per diem or contract residential care providers.

❑ Nearly 25% of the homeless population are veterans. Many more veterans who live in poverty are at risk of becoming homeless. VA provides substantial hands-on assistance and maintains the largest network of homeless assistance programs in the country. In FY 2003, more than 7,000 transitional and permanent beds will be available for veterans who are homeless.

## Pension

VA plays an important role as a social safety net for veterans and their surviving families who fall into financial hardship. More than 585,000 veterans and their survivors received pension checks in FY 2002. The purpose of the pension program is to provide monthly payments to needy wartime veterans who are permanently and totally disabled, due to a non-service connected disability. The pension program also provides monthly payments to needy surviving spouses and dependent children of deceased wartime veterans. VA's objective is to *Process pension claims in a timely and accurate manner to provide eligible veterans and their survivors a level of income that raises their standard of living and sense of dignity.*



□ VA centralized the processing of pension maintenance work starting in January 2002. Previously performed at all 57 VA regional offices, these functions were consolidated at three sites: Milwaukee, St. Paul, and Philadelphia. Centralized processing of the pension program allows VA to focus on more regional office resources on the compensation claims workload. In addition, processing of this workload in the paperless Virtual VA environment began in Philadelphia in August 2002. Additional employees and resources for information technology tools will aid in meeting VA's goal of reducing the time to process rating-related claims.

## Insurance

VA currently provides \$749 billion in life insurance coverage to 4.5 million servicemembers and veterans, plus 3.1 million spouses and children – one of the largest life insurance programs in the world and the seventh largest in the United States. VA's objective for this program is to *Maintain a high level of service to insurance policy holders and their beneficiaries to enhance the financial security for veterans' families.*

□ According to a study conducted by the American Customer Satisfaction Index and the University of Michigan, VA received one of the highest scores ever recorded for government or the

private sector for the level of satisfaction that beneficiaries experienced with the processing of insurance death claims benefits. VA scored 90 on a scale of 100, compared to an insurance industry average of 75.

□ The Philadelphia VA Regional Office and Insurance Center was selected as the 2002 winner of the Department's prestigious Robert W. Carey Quality Award. The center was recognized for its overall organizational excellence and its service delivery. In an independent survey conducted by the University of Michigan and the American Customer Satisfaction Index (ACSI), the Insurance Program achieved one of the highest scores of customer satisfaction ever recorded by the ACSI, 90, on a scale of 100; by comparison, the private insurance industry's average score was 75. Among other accomplishments, the Center was recognized for processing insurance disbursements in an average of 2.8 days in FY 2001, a significant improvement over the 3.2 days in FY 2000.

## Access to Burial Benefits

VA honors veterans with a final resting place and lasting memorials that commemorate their service to our Nation. The objectives in this area are to *Ensure that the burial needs of veterans and eligible family members are met* and to *Provide veterans and their families with timely and accurate symbolic expressions of remembrance.*

□ VA national cemeteries became the final resting places for victims of terrorist attacks. Three U.S.S. Cole crewmembers killed during a terrorist attack in Yemen were buried in VA national cemeteries, with military funeral honors provided by the Department of Defense. Twenty-nine victims of the September 11th terrorist attacks on the United States were interred in VA national cemeteries.





❑ In FY 2002, 74% of veterans were served by a burial option in a national or state veterans cemetery within a reasonable distance (75 miles) of their residence. VA began operations at Fort Sill National Cemetery, near Oklahoma City, when the initial “fast track” development was completed. A “fast track” is a small-scale development that provides veterans with burial space nearly two years before cemetery construction is completed. VA also finished construction projects to extend burial operations at six other national cemeteries. Two new state veterans cemeteries were opened through the State Cemetery Grants Program.

❑ Satisfaction with the quality of service provided by VA national cemeteries remained at a high level. In FY 2002, 91% of survey respondents rated the quality of service as excellent, an increase from 88% in FY 2000.

❑ In FY 2003 and FY 2004, the opening of six new state veterans cemeteries will extend a burial option to nearly 140,000 veterans not previously served within a reasonable distance of their residence. In FY 2004, interment operations will begin at new national cemeteries in

the areas of Atlanta, Georgia; Detroit, Michigan; South Florida; and Pittsburgh, Pennsylvania providing reasonable access to a burial option to over 1.6 million veterans. VA is also planning the development of a new national cemetery to serve approximately 315,000 veterans in the area of Sacramento, California.

❑ In FY 2003, interactive kiosks will be installed at 48 national and state cemeteries. The kiosks will enable visitors to readily locate gravesites, particularly outside normal business hours. The kiosks will also give information regarding eligibility requirements, headstone and marker ordering, customer service standards, floral regulations, and upcoming events.

❑ The time it takes to mark a grave after the interment in a national cemetery is extremely important to family members of the deceased. For the first time, VA has established a performance target to mark graves in national cemeteries within 60 days of the interment and is developing the mechanisms necessary to measure the timeliness of providing headstones or markers for the graves of veterans who are not buried in VA national cemeteries. VA is assessing procedures to ensure that data collected to measure the timeliness of delivery of headstones and markers are accurate, valid, and verifiable.





## Strategic Goal Four

Contribute to the Public Health,  
Emergency Management, Socioeconomic  
well-being, and history of the Nation

VA will continue to be involved in the Nation's preparedness for an emergency, including response to terrorism or natural disaster. VA will support the public health of the Nation as a whole through medical research, medical education and training, as well as through education, vocational rehabilitation, and home loan programs. VA will also preserve the memory and sense of patriotism of the Nation by maintaining national cemeteries as national shrines and by hosting patriotic and commemorative ceremonies and events.

### Emergency Management

VA's objective in this area is to *Improve the Nation's preparedness for response to war, terrorism, national emergencies, and natural disasters by developing plans and taking actions to ensure continued provision of services to veterans as well as support to national, state, and local emergency management and homeland security efforts.* VA is one of four partners in the National Disaster Medical System and provides support to the Federal Response Plan. VA will support the Department of Defense (DoD) and other agencies to address casualties coming off the battlefield overseas, and civilian casualties at home. VA's efforts will be coordinated with the new Department of Homeland Security, the Federal Emergency Management Administration (FEMA), DoD, the Department of Health and Human Services (HHS), and other government agencies.

❑ After the terrorist attacks on September 11, 2001, VA Central Office ensured continuity of operations nationwide. Veterans Integrated Service Networks (VISNs), headquartered in the Bronx and Baltimore, activated command cen-

ters. In the aftermath of the attack, VA deployed critical care burn nurses to the Cornell Medical Center Burn Unit in New York City, and the Washington Hospital Center Burn Unit, in Washington, DC. In New York City, VA deployed staff and shared inventory with other emergency health care facilities to bring supplies to emergency workers and the National Guard. VA was also part of a coordinated effort to deliver emergency pharmaceuticals and medical supplies to New York City for the rescue operations.

❑ Staff from VA's National Center for Post Traumatic Stress Disorder assisted DoD in its relief efforts at the Pentagon. Education for counselors and debriefing and psycho-educational support for relief staff, including Red Cross personnel and DoD Casualty Assistance Officers, was provided. Special procedures ensured that life insurance beneficiaries were paid within 48 hours after receiving a claim.

❑ In FY 2003, VA will seek ways to enhance the way we prepare for and handle any emergency situation, while continuing to maintain its fundamental mission of servicing veterans and their families. To this end, VA is conducting a systematic, comprehensive program evaluation of its Comprehensive Emergency Management (CEM) program which will address Mitigation, Preparedness, Response, and Recovery.



## Medical Research

VA conducts medical research in a wide array of areas that address veterans' illnesses and disabilities. The objective for VA's Research and Development program is to *Advance VA medical research and development programs that address veterans' needs, with an emphasis on service-connected injuries and illnesses, and contribute to the Nation's knowledge of disease and disability.*



□ VA researchers have identified a promising new treatment for kidney cancer that uses a laboratory-developed analog of a hormone that inhibits the release of growth hormone to reverse cancer growth. VA researchers in Seattle are developing new prosthetic limbs that will reduce patient fatigue and produce greater propulsive forces for walking. VA researchers have also identified a previously unknown dysfunction in neurons involved in multiple sclerosis (MS), which could revolutionize treatment.

□ Researchers at the Houston VAMC conducted an extensive study demonstrating that arthroscopic surgery is ineffective in treating osteoarthritis of the knee. Such surgery is routinely performed in the U.S. about 300,000 times per year. This study exemplifies VA's commitment to reducing medical costs, improving treatment effectiveness, and promoting patient safety.

□ VA fosters research on women veterans' issues in collaboration with DoD, HHS, Uniformed Services University of the Health Sciences, and other Federal agencies. In June 2002, VA worked with these agencies to sponsor a two-day health symposium to update and educate officials on health issues and findings relating to women in the military and women veterans.

□ VA will expand the National Committee on Quality Assurance accreditation program to ensure that at least 40% of VA Institutional Review Boards are in compliance. The Institute of Medicine has termed this process a model for all accreditation programs.

## Socioeconomic Impact

Our Nation has an obligation to provide service-members and veterans with the means to take advantage of the opportunities protected and preserved by their service. VA promotes business ownership through its Transition Assistance Program (TAP). VA's objective is to *Enhance the socioeconomic well-being of veterans, and thereby the Nation and local communities, through veteran's benefits; assistance programs for small, disadvantaged and veteran-owned businesses; and other community initiatives.*



□ VA's program evaluation of the Educational Assistance Programs demonstrated a positive return on investment of 2 to 1 realized by the government in the form of increased income taxes for every program dollar spent.

□ VA has created a task force to identify ways to increase the level of procurement and contract awards to Veteran-Owned Small Businesses and Service-Disabled Veteran-Owned Small Businesses. VA's performance target for contract awards to Service-Disabled Veteran-Owned Small Businesses is 3% of procurement dollars, while the goal for Veteran-Owned Small Businesses is 7% of procurement dollars.

### National Shrine Commitment

VA maintains its 120 national cemeteries as national shrines, sacred to the honor and memory of those interred or memorialized there. The objective is to *Ensure that national cemeteries are maintained as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made.*

□ A nationwide mail survey, *Survey of Satisfaction with National Cemeteries*, is VA's primary source of customer satisfaction data for its national cemeteries. The percentage of respondents who rated national cemetery appearance as excellent rose significantly, from 82% in FY 2000 to 97% in FY 2002. In FY 2003, VA plans to increase this rate to 98%.

□ The Veterans Millennium Health Care and Benefits Act directed VA to contract for an independent study to examine various issues related to the National Shrine Commitment and its focus on cemetery appearance. A study to identify the one-time repairs needed to ensure a dignified and respectful setting appropriate for each

national cemetery was completed in August 2002. The study includes recommendations to address deferred maintenance issues or preventive steps to minimize future maintenance costs. VA will use this information to make management decisions addressing repair and maintenance needs at its national cemeteries.

□ Contracts for National Shrine Commitment projects have been awarded and are underway at six national cemeteries: Fort Sam Houston National Cemetery in Texas; Golden Gate National Cemetery in California; Long Island National Cemetery in New York; Memphis National Cemetery in Tennessee; Willamette National Cemetery in Oregon; and Wood National Cemetery in Wisconsin. More than 180,000 headstones and markers will be raised and realigned as well as cleaned where needed.

□ In Spring 2002, VA initiated its first comprehensive inventory of an estimated 300 memorials located in more than 100 national cemetery properties across the country. The inventory will help VA prioritize conservation needs as well as develop a maintenance plan for its memorials.





## Enabling Goal

**Deliver World-Class Service to Veterans and Their Families by Applying Sound Business Principles that Result in Effective Management of People, Communications, Technology, and Governance**

VA will operate as a veteran-focused organization. VA will implement crosscutting processes that enable it to provide high quality, accessible, and timely information and service through effective communication, the development and maintenance of a high-performing workforce, the application of state-of-the-art technologies, and the effective governance of core management processes. The VA governance system, as detailed on page 6, provides a framework wherein VA management achieves the rigorous performance demanded by the President's Management Agenda, and owed to the American taxpayer.

As part of this enabling goal, VA is aggressively implementing each item of the President's Management Agenda, which includes:

- ◆ Strategic Management of Human Capital
- ◆ Competitive Sourcing
- ◆ Improved Financial Performance
- ◆ Expanded Electronic Government
- ◆ Budget and Performance Integration
- ◆ Improved Coordination of VA and DoD Programs and Systems

### Workforce Planning

VA faces a serious human capital challenge over the next 3 - 8 years as a large number of employees reach retirement age. To address this challenge, VA is taking many positive steps to strengthen our strategic management of human capital. VA's objective is to *Recruit, develop, and retain a competent, committed, and diverse workforce that provides high quality service to veterans and their families.*

□ In FY 2003, VA will implement a Department-wide workforce planning process. This process will define workforce analysis and planning requirements, be implemented as part of the strategic planning cycle, and result in the development of individual and Department-wide human capital plans.

□ Approximately 270 government-wide employees applied for an expected 17 positions in VA's new Senior Executive Service Candidate Development Program to help VA build its leadership cadre and prepare for impending retirements and turnover.

□ In the FY 2001 VA Employee Survey, 65% of employees said they were satisfied with their job, up from 57% in FY 1997. VA will address key issues and identify ways to enhance the workplace and improve the delivery of high-quality benefits and services to veterans and their families.

### Communication

VA is implementing a Communications Plan to build public awareness and support for the mission and programs of the Department, while ensuring that the VA message is accurate, consistent, integrated, and timely. VA's objective is to *Improve communications with veterans, employees, and stakeholders about the Department's mission, goals, and current performance and the benefits and services VA provides.*



□ In September 2002, VA launched a permission-based e-mail “list server.” Subscribers can get timely, automatic distribution of news releases, fact sheets, and other official information products through e-mail. “By tapping into the latest technology, VA is providing one more tool to inform veterans about services and programs,” said Secretary Principi of the new offering. To subscribe, go to [http://www.va.gov/opa/pressrel/opalist\\_listserv.cfm](http://www.va.gov/opa/pressrel/opalist_listserv.cfm).

□ Almost 70% of VA employees indicated they understand VA’s strategic goals according to responses on the FY 2001 Employee Survey. VA’s performance target rate is 85% by FY 2006.

## Information Technology (IT)

VA will meet its goals through the effective and efficient use of current and emerging technology in support of all business operations. The objective is to *Implement a One VA information technology framework that supports the integration of information across business lines and that provides a source of consistent, reliable, accurate, and secure information to veterans and their families, employees, and stakeholders.*

□ Over the past 18 months, the Department developed the *One VA Enterprise Architecture Strategy, Governance and Implementation Plan*. The goal of developing an agency-wide architecture with a uniform approach is addressed in strategies that focus on electronic forms development, web-based user interface, identification and authentication, authorization and access control, electronic signature, security, and data interchange with internal business processes

and systems. In FY 2002, the Department published Version 1.0 of the Enterprise Architecture. This document will serve as the roadmap for future IT investments.

□ The Office of Cyber Security was created to improve the security of IT operations. The VA Information Security Program will provide services that: (1) protect the confidentiality, integrity, and availability of veterans’ private information; (2) enable the timely, uninterrupted, and trusted nature of services provided; and (3) make sure that cost effective cyber security controls are in place to protect automated information systems from fraud, waste, and abuse.

□ VA is reengineering its IT workforce to ensure employees are equipped with the skills and competencies required to oversee, develop, manage, and operate our systems.

□ VA was selected by the Office of Management and Budget to partner with agencies who are leading the planning, development and implementation of 15 of the 24 cross-agency electronic government initiatives and has been selected to partner in the development of a joint initiative with the

Department of Defense. This participation supports the President’s Management Agenda, Expanding Electronic Government.

□ Within the *One VA* framework, VA has begun development of *HealtheVet VistA* that will result in enhanced support at local health facilities. This system will build upon the Veterans Health Information Systems and Technology Architecture (VistA); become person/data-centric; use the best modern technology; move to an enterprise-wide approach; standardize health data





and communications; substantially enhance the health systems supporting veteran's care; and secure health systems and veterans health information.

## Business Process Improvements

To better serve veterans and their families, VA is enhancing the integration of its programs and major management functions. VA will also work to implement the items of the President's Management Agenda. Its objective is to *Improve the overall governance and performance of VA by applying sound business principles and ensuring accountability.*

□ The Capital Asset Realignment for Enhanced Services (CARES) program continues to evaluate the health care services VA provides, identify the best ways to meet veterans' future health care needs, and realign medical facilities and services to meet those needs more effectively and efficiently. Demographic data used in the development of CARES plans is based on the Veteran Population Projection Model and U.S. Census data, and extends to individual counties. All Veterans' Integrated Service Networks (VISNs) are

conducting the CARES study that will be evaluated by an independent commission upon completion and VISN 12 is already complete. The initial phase of CARES, conducted in VISN 12, has resulted in a planned infusion of \$300 million in improvements and new construction to realign the area's health care system with the requirements of its present and projected veteran population.

□ The Board of Veterans' Appeals established a greatly improved case distribution system that is expected to improve productivity by 20% for Board Counsel and 25% for Board Members.

□ In FY 2002, VA received a favorable unqualified audit opinion on its financial statements. This reflects the high quality and integrity of VA's financial management.

□ VA worked with OMB to improve the integration of budget and performance information by identifying three important issues as pilot projects in performance budgeting: Compensation and Pension Claims Processing; Hepatitis C; and CARES.

□ During the past year, VA established four new advisory committees that are expected to present recommendations next year to the Secretary on (1) enhancing VA homeless veterans programs; (2) improving VA nurse recruitment and retention; (3) initiating VA chiropractic care services; and (4) changing the focus of federal research on Gulf War veterans' illnesses.

□ The Office of Asset Enterprise Management, which became operational on July 1, 2001, was established to develop and maintain a corporate-level capital asset management function in the Department. Capital asset management is a business strategy that, through the application of sound business practices, seeks to maximize the functional and financial value of capital as-





sets through well thought out acquisitions, allocations, operations, and dispositions.

❑ VA implemented e-travel, a new electronic travel system, to reduce cycle time for the travel management process, centralize travel and budget information online, reduce government travel card delinquency rates, increase dollar savings, and reduce the use of paper.

❑ VA continued to identify opportunities for competitive sourcing to provide veterans and taxpayers with the best value possible. In April 2002, OMB authorized VA to utilize its 3-tier approach to competitive sourcing with emphasis on cost-benefit analysis. VA has steadily increased our contractual services over each of the past 5 years. During this period, VA has increased the amount of services contracted out to over \$2.6 billion - an increase of over 32%. VA total contract service expenditures equate to approximately 43,000 full-time equivalents (FTE). VA is currently conducting a comprehensive formal A-76 study of the property management function for VBA. VA is tracking current competitive sourcing activities.



has reached agreement on the following major issues: Federal Health Information Exchange, including a joint strategy for interoperable electronic health records (HealthePeople), a new standardized national reimbursement rate structure for VA/DoD medical sharing agreements, implementation of

a Consolidated Mail Order Pharmacy pilot, a joint strategic planning initiative to develop a common vision and set of objectives for future interdepartmental sharing, establishment of a joint physical examination pilot, and increased cooperation in facility and capital asset planning.

❑ VA entered into a sharing agreement that will allow DoD cardiology physicians to perform heart surgery in VA facilities in the coming year.

❑ VA will increase the dollar volume of sharing agreements by 10%, including Non-DoD Agreements and DoD Agreements (including TRICARE).

## VA/DoD Coordination

VA is committed to working on this program initiative of the President's Management Agenda through a number of activities:

❑ In February 2002, VA and DoD established a Joint Executive Council (JEC) to facilitate and monitor health care, benefits, and other sharing activities. The Joint Executive Council is co-chaired by the Deputy Secretary of Veterans Affairs and the Under Secretary of Defense for Personnel and Readiness. In addition, VA and DoD have created a successful Health Executive Council and Benefits Executive Council. To date, the JEC





## Our Commitment to Success

The Department of Veterans Affairs is fully committed to achieving the goals and priorities contained in this document. As new challenges arise, we will continue to focus our goals and priorities to best meet existing needs. Our Nation will remain committed to honoring its veterans for the sacrifices they have made.

On Veterans Day 2002, President Bush spoke of the enduring gratitude we owe to those who serve our Nation:

*"Veterans do not take life for granted. They know that duty and sacrifice are more than words. And they love America deeply, because they know the cost of freedom, and they know the names and faces of men and women who paid for it."*

*The term "veteran" conveys more than a rank held in the past. Military service forms priorities and commitments that last for a lifetime. Every person who has put on the uniform, whether in time of war or in time of peace, has also felt a new sense of responsibility.*

*Long after their honorable discharge, our veterans still symbolize what it means to be a citizen. Go to any community in this country and you will find veterans in positions of service and leadership. In so many ways, veterans live out the meaning of patriotism and idealism and concern for others. Those of us who are the children and grandchildren of veterans have seen those qualities up close — each of us is better because of the influence of a veteran. And so is America."*

As the Secretary of the Department of Veterans Affairs, and a member of the President's Cabinet, I will continue to serve as the principal advocate for veterans. We will make sure that veterans' issues are discussed at all levels of the United States Government and that the prospective mix of services and benefits delivered by VA will be based on the needs and expectations of veterans and their families.

To the men and women in uniform – past, present, and future – the Department of Veterans Affairs will always be here for you. This is our commitment.



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